

**PUBLIC DISCLOSURE**

NOVEMBER 17, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

HOOSAC BANK

90253

93 NORTH MAIN STREET  
NORTH ADAMS, MA 01247

DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MASSACHUSETTS 02110

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Massachusetts Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **HOOSAC BANK** (or "the bank") prepared by the Massachusetts Division of Banks, the institution's supervisory agency, as of **NOVEMBER 17, 2003**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

**INSTITUTION'S CRA RATING:** Hoosac Bank is rated "Satisfactory." This rating is based upon the bank's reasonable performance under its Lending, Investment, and Service Tests.

### **LENDING, INVESTMENT, AND SERVICE TEST TABLE**

The following table indicates the performance level of **HOOSAC BANK, NORTH ADAMS, MASSACHUSETTS**, with respect to the lending, investment, and service tests:

<b>PERFORMANCE TESTS</b> <b>Hoosac Bank</b>			
<b>Performance Levels</b>	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory			
Satisfactory	<b>X</b>	<b>X</b>	<b>X</b>
Needs to Improve			
Substantial Non-Compliance			

\*Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

## DESCRIPTION OF INSTITUTION

North Adams Hoosac Savings Bank was originally formed as a mutual savings bank and incorporated under the laws of the Commonwealth of Massachusetts in 1848. Effective March 16, 1998, the bank converted to stock form, underwent a name change to Hoosac Bank, and became a wholly owned subsidiary of Hoosac Financial Services, Inc., a mutual holding company. The bank operates two branches located in North Adams and Williamstown. The bank's administrative offices are located at the North Adams main office facility. As of the 1990 census, the bank's main office was located in the only low-income census tract within the bank's assessment area. As of May 1, 2002, Williamstown Savings Bank created a bank holding company for the sole purpose of acquiring Hoosac Financial Service, Inc., (Hoosac Bank's Holding Company). Williamstown Savings Bank is a single branch bank located in Williamstown, which is operated separately from Hoosac Bank. Wholly owned subsidiaries of Hoosac Bank are True North Financial Services, Inc., which is a brokerage company, and Coakley, Pierpan, Dolan, & Collins, Inc., which is an insurance sales company. True North Insurance Agency, Inc. and True North Benefits Administrators, Inc. are wholly owned subsidiaries of True North Financial Services.

Given that the bank's total assets exceeded \$250 million for the last two consecutive calendar years, Hoosac Bank is now considered to be a large institution under the CRA regulation. Consequently, this Public Evaluation reflects Hoosac Bank's performance as a large institution.

As of September 30, 2003, Hoosac Bank had total assets of \$296.2 million with total loans representing \$144.8 million or 48.9 percent of total assets. The following table depicts Hoosac Bank's loan portfolio composition based on its September 2003 FDIC Quarterly Call Report:

<b>Hoosac Bank's Loan Portfolio as of September 30, 2003</b>	
<b>Type of Loans</b>	<b>% of Total Loans</b>
Construction & Land Development	0.1
Residential Real Estate	
a. 1-4 Family Mortgages	59.9
b. Home Equity Lines (includes second mortgages)	5.4
Multifamily	1.1
Commercial Loans	
a. Commercial Real Estate	21.9
b. Commercial & Industrial Loans	9.6
Consumer Loans	
a. Credit Cards & Related Plans	0.0
b. Loans to Individuals/Other Loans	2.0
<b>Total Loans</b>	<b>100.0</b>

Source: FDIC Call Report, 09/30/03

## DESCRIPTION OF INSTITUTION (continued)

Residential real estate loans represent the majority (66.4 percent) of the bank's loan portfolio. The second largest segment of the loan portfolio was the bank's commercial loan products, which represents 31.5 percent of the portfolio.

There appear to be no legal or regulatory impediments that would affect the bank in meeting the needs of its community. The FDIC conducted the previous CRA evaluation as of October 7, 2002. That examination resulted in an "Satisfactory" rating.

## DESCRIPTION OF ASSESSMENT AREA

Hoosac Bank defines its assessment area as the City of North Adams and the towns of Adams, Williamstown, Clarksburg, Peru, Windsor, Florida, and Savoy. Adams is located in the Pittsfield Metropolitan Statistical Area (MSA), while the remaining communities are not located in an MSA.

Because Hoosac Bank does not have a home or branch office located within an MSA, the bank is exempt from reporting its residential lending under the Home Mortgage Disclosure Act (HMDA).

The U.S. Department of Housing and Urban Development (HUD) estimated Median Family Income for the one Pittsfield MSA community is \$50,400 and \$56,000 for 2002 and 2003, respectively. The HUD estimated Median Family Income for the non-MSA communities are \$52,100 and \$60,300 for 2002 and 2003, respectively.

## Demographic and Economic Data

### Change in Demographics

In 2003, the US Census Bureau released its revised demographics based upon 2000 census data. The following table reflects both the 1990 and 2000 census data of Hoosac Bank's assessment area by census tract income groupings. In addition, the percentage change in the number of census tracts by income grouping is also reflected:

Change in Assessment Area Demographics					
Census Tracts	1990 Census Data		2000 Census Data		% Change in Number of Census Tracts
	#	%	#	%	
<b>Low</b>	<b>1</b>	10.0	<b>0</b>	0.0	<b>-100.0</b>
<b>Moderate</b>	<b>3</b>	30.0	<b>6</b>	46.2	<b>100.0</b>
<b>Middle</b>	6	60.0	6	46.2	<b>0.0</b>
<b>Upper</b>	0	0.0	1	7.6	<b>100.0</b>
<b>Total</b>	<b>10</b>	<b>100.0</b>	<b>13</b>	<b>100.0</b>	<b>30.00</b>

Source: PCI Services, Inc., CRA Wiz Software.

The one low-income census tract from the 1990 census data was located in the City of North Adams, and the three moderate-income census tracts were located in the City of North Adams (one), and the Town of Adams (two). The 2000 census data removed the low-income census tract in North Adams and added two moderate-income census tracts to that city.

## DESCRIPTION OF ASSESSMENT AREA (continued)

The following table reflects the changes in the low and moderate-income census tracts from the 1990 census data to the 2000 census data by community. Note: The **bolded** items reflect a change:

Changes in Hoosac Bank's Low and Moderate Income Census Tracts				
Community	1990 Census Data		2000 Census Data	
	Low Income Census Tracts	Moderate Income Census Tracts	Low Income Census Tracts	Moderate Income Census Tracts
North Adams	9211.00	9214.00	--	<b>9211.00, 9212.00, 9213.00, 9214.00</b>
Adams	--	9221.00, 9222.00	--	9221.00, 9222.00

Source: PCI Services, Inc., CRA Wiz Software.

In the Town of Williamstown, a former middle-income census tract 9201.00 was split into two census tracts: 9201.01 (middle-income) and 9201.02 (upper-income). Also, as of the 1990 census, the towns of Clarksburg, Peru, Windsor, Florida, and Savoy, all shared census tract 9311.00 (middle-income). In 2000, those towns were divided into, Clarksburg, census tract 9311.00 (middle-income), Florida and Savoy, census tract 9313.00 (middle-income), and Peru and Windsor, census tract 9314.00 (middle-income).

The following table reflects selected housing characteristics, based upon **1990** census data, for each of the census tract income groupings in Hoosac Bank's assessment area:

Selected Housing Characteristics by Income Category of the Geography Based on 1990 Census Data							
Geographic Income Category	Percentage						Median Home Value (\$)
	Census Tracts	Households	Housing Units	Owner-Occupied	Rental Units	Vacant Units	
<b>Low</b>	10.0	2.6	2.6	5.8	83.2	11.0	97,900
<b>Moderate</b>	30.0	27.2	26.1	53.4	39.8	6.8	86,845
<b>Middle</b>	60.0	70.2	71.3	58.0	31.8	10.2	104,668
<b>Total or Median</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>99,833</b>

Source: U.S. Census

In addition, the following table reflects selected housing characteristics, based upon **2000** census data, for each of the census tract income groupings in Hoosac Bank's assessment area:

Selected Housing Characteristics by Income Category of the Geography Based on 2000 Census Data							
Geographic Income Category	Percentage						Median Home Value (\$)
	Census Tracts	Households	Housing Units	Owner-Occupied	Rental Units	Vacant Units	
<b>Moderate</b>	46.2	54.4	54.4	44.6	71.0	55.2	88,209
<b>Middle</b>	46.2	38.6	38.4	47.6	23.3	36.3	110,547
<b>Upper</b>	7.6	7.0	7.2	7.8	5.7	8.5	229,800

<b>Total or Median</b>	<b>100</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>106,951</b>
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Source: U.S. Census

## Description of Aggregate Data Utilized/Lending Activity

Aggregate data, for residential mortgage lending performance purposes only, constitutes 135 (both large and small) mortgage companies, savings banks, commercial banks, cooperative banks, and credit unions, which have originated and/or purchased at least one residential mortgage and/or home improvement loan within the bank's assessment area (source: PCI Services, Inc., CRA Wiz). Total number of originations/purchases received by these lenders in calendar year 2002 was 1,017. The following table reflects the top ten lenders (in descending order) within Hoosac Bank's assessment area in 2002.

Lending Activity in Hoosac Bank's Assessment Area			
Rank	Lenders	Number of Loans	Market Share Percentage
1	Adams Co-operative Bank	190	18.7
2	South Adams Savings Bank	134	13.2
3	<b>Hoosac Bank</b>	<b>112</b>	<b>11.0</b>
4	Berkshire Bank	50	4.9
5	BankNorth N. A.	42	4.1
6	Greylock Federal Credit Union	37	3.6
7	National City Mortgage	29	2.9
8	Legacy Banks	28	2.8
9	Plymouth Savings Bank	22	2.2
10	Countrywide Home Loans	22	2.2

Source: PCI Services, Inc., CRA Wiz Software.



## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

The institution's Lending Test performance was rated an overall "Satisfactory." The institution's lending efforts are rated under the seven major performance criteria: Lending Activity, Geographic Distribution, Borrower Characteristics, Community Development Lending, Innovative or Flexible Lending Practices, Loss of Affordable Housing, and Fair Lending Policies and Practices. The following information details the data compiled and reviewed, as well as conclusions on Hoosac Bank.

#### Scope of Evaluation

Credit products evaluated for this criterion, as well as the two subsequent lending test criterion, are residential mortgage loans. A residential mortgage loan is defined as home purchase loans (including originations, purchases, and refinances) as well as home improvement loans. For the purposes herein, the period under review for residential mortgage lending constitutes calendar year 2002, and an interim period through November 24, 2003.

Although Hoosac Bank is not a Home Mortgage Disclosure Act reporter, in 2003 the bank began utilizing computerized software that produces machines readable reports in the required regulatory format. In 2002, a hand posted Loan Application Register (LAR) was maintained, and was subsequently converted into a computerized format. Both of these data formats were utilized for this Public Evaluation.

#### I. Lending Activity

One barometer that is utilized in measuring financial institutions' lending activity is an analysis of its total loan to total asset ratio.

As of September 30, 2003, Hoosac Bank had total assets of \$296.2 million with total loans representing \$142.9 million or 48.2 percent of total assets, reflecting a decrease from 55.1 percent as of September 30, 2002.

Comparisons of Hoosac Bank's net loans-to-total asset ratio to that of local competitors were also performed. As of September 30, 2003, (latest comparative information available) Hoosac Bank had total assets of \$296,182,000 and a net to total asset ratio of 48.2 percent. The net loan to total asset ratios of other area institutions is reflected in the following table. The data presented is as of September 30, 2003:

Comparative Net Loan-To-Assets Ratios		
Financial Institution	Total Assets (000)	Net Loan to Total Asset Ratio (%)
Adams Co-operative Bank	158,799	80.2
Berkshire Bank	1,159,971	68.2
<b>Hoosac Bank</b>	<b>296,182</b>	<b>48.2</b>
Landmark Federal Credit Union	35,034	46.7
Legacy Banks	632,399	72.2
South Adams Savings Bank	196,646	61.5
Williamstown Savings Bank	179,012	48.3

Source: FDIC Quarterly Call or NCUA 5300 Reports as of September 30, 2003

## Lending Activity (continued)

Hoosac Bank's loan portfolio, overall, has experienced a decline. From September 30, 2002 to September 30, 2003, the bank's loan portfolio (gross) decreased 8.9 percent. The following table reflects Hoosac Bank's loan portfolio (gross) by type for September 30, 2002 and September 30, 2003 (per FDIC Call Reports), as well as the growth rate of each loan type:

Hoosac Bank's Loan Portfolio			
Loan Types	September 30, 2002*	September 30, 2003*	% Growth
Real Estate Loans	141,744	128,138	-9.6
Commercial Loans	13,202	13,871	5.1
Consumer Loans	4,054	2,910	-28.2
Other Loans	0	7	--
<b>Total Gross Loans</b>	<b>159,000</b>	<b>144,926</b>	<b>-8.9</b>

\*In Thousands.

The decrease in real estate lending reflects the softening of the refinancing market. In addition, although the decline in percentage of consumer lending appears large, the decrease in actual dollar volume appears to be reasonable.

Another barometer that is utilized in measuring financial institutions lending activity is an analysis of its lending extended both inside and outside of the institution's assessment area.

An analysis of residential mortgage lending extended both inside and outside Hoosac Bank's assessment area was also performed. For the period reviewed, the City of North Adams received the largest number and dollar volume of home mortgage lending with 129 loans totaling \$9,679,000. This equates to 52.2 percent of the number and 41.1 percent of the dollar volume of the bank's total lending. The Town of Williamstown ranked second with 36 loans totaling \$6,369,000 or 14.6 percent and 27.0 percent of the bank's total lending, respectively. Furthermore, no concentration of lending to a community outside of Hoosac Bank's assessment area was noted as a result of this analysis. Refer to the following.

Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area												
Year	Inside				Outside				Total			
	Number of Loans		Dollar Volume (000)		Number of Loans		Dollar Volume (000)		Number of Loans		Dollar Volume (000)	
	#	%	\$	%	#	%	\$	%	#	%	\$	%
2002	112	65.9	10,798	57.6	58	34.1	7,959	42.4	170	100.0	18,757	100.0
2003*	135	57.7	12,781	54.4	99	42.3	10,696	45.6	234	100.0	23,477	100.0
Total	247	61.1	23,579	55.8	157	38.9	18,655	44.2	404	100.0	42,234	100.0

Source: Excel, HMDA LAR, CRA Wiz

\*Through November 24, 2003.

As indicated, in 2002, Hoosac Bank originated (overall) 170 residential mortgage loans totaling \$18,757,000, whereas, in the interim period in 2003, the bank originated (overall) 234 home mortgage loans totaling \$23,477,000. That represents an increase of 37.7 percent in the number and 25.2 percent in the dollar volume of the bank's lending.

## Lending Activity (continued)

In all periods reflected, Hoosac Bank experienced, as did the industry as a whole, a marked rise in refinances. In 2002, 54.7 percent of the bank's residential mortgage lending within its assessment area was in the form of refinances. However, for the interim 2003 period, a substantial 78.5 percent of the bank's mortgage loans within its assessment area were refinances.

In conclusion, Hoosac Bank's level of residential mortgage lending is considered to be reasonable.

## II. Geographic Distribution

This criterion evaluates the institution's lending performance to the low, moderate, middle, and upper-income census tracts within its assessment area.

Based upon **1990** census data, Hoosac Bank's assessment area contained ten census tracts. Of those tracts, one or 10.0 percent is low-income, three or 30.0 percent are moderate-income, and six or 60.0 percent are middle-income.

Further, an analysis of Hoosac Bank's residential mortgage lending extended within the various census tracts contained within its assessment area for the 2003 interim period was also conducted. It should be noted that, as of January 1, 2003, a revision to Regulation C (HMDA reporting) went into effect. This revision states, in part, "For all applications and loans reported on lenders' 2003 HMDA/LARs (residential mortgage loans), lenders must use the census tract numbers and corresponding geographic areas from the 2000 census".

Based upon **2000** census data, Hoosac Bank's assessment area contained thirteen census tracts. Of those tracts, six or 46.2 percent are moderate-income, six or 46.2 percent are middle-income, and one or 7.6 percent are upper-income.

An analysis of residential mortgage lending extended within the various census tracts contained within Hoosac Bank's assessment area was also conducted. The following table presents the bank's performance as well as the 2002 aggregate data (exclusive of Hoosac Bank) of residential mortgage lending by percentage. In addition, the table also reflects the percentage of owner-occupied housing units (per **1990** and **2000** census data) in each of the census tract income categories:

Distribution of Home Mortgage Loans by Income Category of the Census Tract									
Census Tracts	% Total Owner-Occupied Housing Units Per 1990 Census Data	2002 Aggregate Lending Data (% of #)	2002 Bank Data		% Total Owner-Occupied Housing Units Per 2000 Census Data	2003 Bank Data*		Total	
			#	%		#	%	#	%
Low	0.3	0.9	6	5.4	NA	NA	NA	6	2.4
Moderate	25.2	26.3	18	16.1	44.6	59	43.7	77	31.2
Middle	74.5	72.8	88	78.5	47.6	70	51.9	158	64.0
Upper	NA	0.0	NA	NA	7.8	6	4.4	6	2.4
Total	100.0	100.0	112	100.0	100.0	135	100.0	247	100.0

Source: Excel, HMDA LAR, CRA Wiz  
\*Through November 24, 2003.

### **Geographic Distribution (continued)**

Of particular note is the bank's lending to the low-income census tracts within its assessment area in 2002. For that period, the percentage of the bank's residential mortgage lending was consistently and significantly above both the aggregate and the demographic data. In addition, although the demographic data reflects virtually non-existent availability of owner-occupied units within the low-income census tracts, the bank's percentage of lending is considered above average.

In 2002, the bank's percentage of lending to the moderate-income census tracts falls below both the aggregate and demographic data however, in 2003, the bank's percentages are more in line with the demographic data within the moderate-income census tracts.

By dollar volume in 2002, the bank originated 2.5 percent of its residential mortgage loans to the low-income census tracts and 13.1 percent to the moderate-income tracts. This was above the 2002 aggregate data by dollar volume of 0.6 percent in the low-income census tracts but below the aggregate data dollar volume of 21.7 percent in the moderate-income census tracts.

For the interim 2003 period, Hoosac Bank had 31.9 percent of the dollar volume of its residential mortgage loans going to the moderate-income census tracts.

In conclusion, given both the 1990 and 2000 census data demographics of Hoosac Bank's low and moderate-income census tracts within its assessment area, the geographic distribution of its overall residential mortgage lending is considered to be adequate.

### **III. Borrower Characteristics**

The third lending criterion evaluates the extent to which an institution lends to borrowers of low, moderate, middle, and upper- income by number and dollar volume.

An analysis of residential mortgage lending extended within Hoosac Bank's assessment area, among various income levels for the period under review was performed. Originations were categorized by the ratio of the applicant's reported incomes to the 2002 and 2003 estimated median family incomes of the appropriate MSA (refer to the Performance Context Section).

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA; moderate income is defined as 50 to 79 percent of the median family income; middle income is defined as income between 80 and 119 percent of the median family income; and upper income is defined as income greater than 120 percent of the median family income.

## Borrower Characteristics (continued)

The following analysis also includes 2002 aggregate data (exclusive of Hoosac Bank) of residential mortgage lending by percentage as well as demographic data on the percentage of households (per **1990** and **2000** census data) in the assessment area in each respective income group by percentage.

Refer to the following:

Distribution of Home Mortgage Loans by Borrower Income									
Median Family Income Level	% Total Households Per 1990 Census Data	2002 Aggregate Lending Data (% of #)	2002 Bank Data		% Total Households Per 2000 Census Data	2003 Bank Data*		Total	
			#	%		#	%	#	%
Low ø	30.6	8.2	15	13.4	32.1	17	12.6	32	13.0
Moderate	17.2	19.3	18	16.1	17.9	49	36.3	67	27.1
Middle	19.3	29.6	25	22.3	17.4	20	14.8	45	18.2
Upper	32.9	34.4	49	43.8	32.6	43	31.9	92	37.3
NA	0.0	8.5	5	4.4	0.0	6	4.4	11	4.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>112</b>	<b>100.0</b>	<b>100.0</b>	<b>135</b>	<b>100.0</b>	<b>247</b>	<b>100.0</b>

Source: Excel, HMDA LAR, CRA Wiz

\*Through November 24, 2003.

Ø Included in the low-income category (per the **1990** census data) is 1,664 households within the assessment area whose income is considered to be below poverty level, and thus, unlikely to qualify for a residential mortgage loan. If that category were adjusted to reflect this fact, the percentage of low-income households (per **1990** census data) within the assessment area would be decreased to 22.0 percent.

Included in the low-income category (per the **2000** census data) is 2,849 households within the assessment area whose income is considered to be below poverty level, and thus, unlikely to qualify for a residential mortgage loan. If that category were adjusted to reflect this fact, the percentage of low-income households (per **2000** census data) within the assessment area would also be decreased to 22.0 percent.

It should be noted that those originations designated as not applicable loans are designated for one of the following reasons:

- The borrowers' income was not taken into account when granting the loan;
- The borrower is an employee; or
- The loan was purchased.

As indicated in the table, Hoosac Bank's percentage of lending to low-income borrowers is well above that of the aggregate in 2002, while its lending to moderate-income borrowers, although slightly below aggregate percentages, is in line with the demographic data percentages for that period. For the interim 2003 period however, the percentage to lending in the low-income category has decreased somewhat and is below the 2000 demographics, but the bank's lending to moderate-income borrowers has improved dramatically and well outpaces the updated demographics.

## **Borrower Characteristics (continued)**

By dollar volume in 2002, Hoosac Bank originated 8.0 percent of its residential mortgage lending to low-income borrowers also outpacing the 2002 aggregate data by dollar volume of 4.9 percent to low-income borrowers. Lending by dollar volume to moderate-income borrowers was 10.6 percent, while aggregate lending was 12.6 percent to those borrowers.

For the interim period 2003, mortgage lending by dollar volume was 6.8 percent to low-income borrowers and 26.6 percent to moderate-income borrowers.

Therefore over the period reviewed, Hoosac Bank's level of residential mortgage lending to borrowers of low and moderate-income is considered to be excellent.

## **IV. Community Development Lending**

As defined in the CRA regulation, a community development purpose is: affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, or activities that revitalize or stabilize low and moderate-income geographies. However, in order to qualify as a community development loan, the loan must not be reportable as a home mortgage or small business loan, unless it is for a multi-family dwelling (five or more units).

It is recognized that Hoosac Bank's ability to be involved in community development lending is somewhat limited. As such, no loans, as defined as for the purposes of community development purposes, were underwritten by Hoosac Bank during the period reviewed.

## **V. Innovative or Flexible Lending Practices**

This criterion evaluates an institution's use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low or moderate-income individuals or geographies. An innovative practice is one that serves low and moderate-income creditworthy borrowers in new ways or serves groups of creditworthy borrowers not previously served by the institution. Both flexible and innovative practices are favorably considered. Although a practice ceases to be innovative if its use is widespread, it may receive consideration if it has a flexible underwriting practice.

Hoosac Bank continues to participate in the Good Samaritan Home Ownership Program. This program provides up to 95 percent financing to low and moderate-income borrowers to purchase their first home in Berkshire County. Eligible properties include 1-4 family, owner occupied units. The bank provides the first mortgage of the property up to 80 percent. The second mortgage, of up to 15 percent, is provided by the Berkshire Fund (a division of Berkshire Housing Development Corporation). Although this program is still offered, no loans were granted during the period reviewed.

The bank also continues to offer Home Options for Massachusetts Elders (HOME) loans. The HOME program provides reverse mortgages to elders; however, the homeowner must first participate in a counseling program through HOME, in order to determine if any other services that they provide may assist the individual before recommending the reverse mortgage. Although this program is also still offered, no loans were granted during the period reviewed.



## **Innovative or Flexible Lending Practices (continued)**

Hoosac Bank's mortgage product offerings include fixed-rate (10-year, 20-year, and 30-year) and adjustable rate (1-year, 3/1, 5/1, 3 year, and 5 year) mortgages with an overall maximum term of 30 years and maximum loan to value (LTV) of 97 percent. All mortgage loan products are offered with no points assessed. In addition, fixed-rate mortgage products (15-year, 20-year, and 30-year) are offered through the Federal Home Loan Bank (FHLB) with a maximum LTV of 95 percent. Home Equity Lines of Credit (HELOC) products offer a maximum term of 15 years. Consumer loan products include new and used car loans, personal loans, and mobile home loans.

## **VI. Loss of Affordable Housing**

This criterion evaluates whether or not a financial institution has engaged in systematic lending patterns resulting in the loss of affordable housing.

Based upon the analysis of Hoosac Bank's lending activity, products, and fair lending practices, there is no evidence that the institution's lending patterns show any undue concentration or systematic pattern of lending resulting in the loss of affordable housing units.

## **VII. Fair Lending Policies and Practices**

Hoosac Bank has a satisfactory record of implementing fair lending policies and practices. The following discussion is based on the guidelines of the Division of Banks' Regulatory Bulletin 2.3-101.

A Fair Lending examination incorporating Federal Financial Institutions Examination Council (FFIEC) procedures was conducted. No evidence of disparate treatment in the underwriting of the denied minority applicants was noted.

The bank employs a total of 60 individuals, 49 full-time and 11 individuals part-time. Among the staff members, there is one minority employee and no bilingual employees. Fair lending training was provided internally in October, 2002. In 2003, employees attended an Equal Credit Opportunity and Fair Housing Acts seminar through Massachusetts Bankers Association. Also in 2003, employees attended a seminar entitled "Compliance Essentials: The Fair Credit Reporting Act" sponsored by Pegasus Educational Services, LLC. Lastly, in September 2003, Hoosac Bank provided a bank-wide meeting for training in CRA and the Right to Financial Privacy Act.

Hoosac Bank maintains a second review process in which each denied loan application is reviewed by the CRA Officer on a weekly basis. All of the denied loan applications are reviewed prior to the issuance of an adverse action letter. In addition, the bank refers customers in need of credit assistance to the Consumer Credit Counseling Service of Massachusetts, Inc. Management of the bank also provides general information regarding credit management in an informal format.

In conclusion, Hoosac Bank's record of implementing and developing fair lending policies and practices is considered satisfactory based upon the training programs for all staff, and efforts to review all denied mortgage loan applications to ensure fairness in the underwriting and loan application process.

## Minority Application Flow

For the period reviewed, Hoosac Bank received a total of 12 residential mortgage applications from various minority groups, representing 4.9 percent of all applications received from within its assessment area. The 2002 aggregate data indicated 2.5 percent of all the residential applications from within the assessment area were to minority applicants.

In addition, the following table reflects the minority demographics of Hoosac Bank's assessment area based upon both the **1990** and the **2000** census data.

Refer to the following:

Distribution of Home Mortgage Loan Applications by Race									
Race	Racial Demographics Per 1990 Census Data	2002 Aggregate Lending Data (% of #)	2002 Bank Data		Racial Demographics Per 2000 Census Data	2003 Bank Data*		Total	
			#	%		#	%	#	%
Native American	0.2	0.2	0	0.0	0.2	0	0.0	0.0	0.0
Asian	0.9	0.5	0	0.0	1.1	1	0.7	1	0.4
Black	1.4	0.5	0	0.0	1.4	0	0.0	0	0.0
Hispanic	0.9	0.4	7	6.2	1.6	4	3.0	11	4.5
Other	0.0	0.9	0	0.0	1.4	0	0.0	0	0.0
<b>Total Minority</b>	<b>3.4</b>	<b>2.5</b>	<b>7</b>	<b>6.2</b>	<b>5.7</b>	<b>5</b>	<b>3.7</b>	<b>12</b>	<b>4.9</b>
White	96.6	65.9	105	93.8	94.3	130	96.3	235	95.1
NA	0.0	31.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>112</b>	<b>100.0</b>	<b>100.0</b>	<b>135</b>	<b>100.0</b>	<b>247</b>	<b>100.0</b>

Source: Excel, HMDA LAR, CRA Wiz

\*Through November 24, 2003.

Given the demographics of its assessment area, Hoosac Bank's level of minority applications is considered reasonable.

## CONCLUSION – LENDING TEST

Hoosac Bank's performance under the Lending Test is considered to be average. This conclusion is based upon the bank's superior performance under its Borrower Characteristics; its average performance under its Geographic Distribution, its Lending Activity, Innovative or Flexible Lending offerings, Fair Lending Practices, and Loss of Affordable Housing. No weight was given to Hoosac Bank's Community Development Lending as no loans were granted during the period under review.

Therefore, as a result of such performance, a rating of "Satisfactory" is assigned.

## INVESTMENT TEST

Given its reasonable commitment to area organizations within the assessment area, Hoosac Bank's performance under the Investment Test is considered to be "Satisfactory."

As defined under the CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. Community development includes affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize low and moderate-income geographies. In recognition of the many legal limitations on bank investments, and the long-term nature and complexity of many community development investments, the CRA regulation allows some reasonable consideration for the entire bank portfolio of qualified investments; not just those made since the previous CRA examination. The following describes the institution's qualified investments.

### Qualified Investments

**Berkshire Housing Development Corporation (BHDC)** is a leader in Berkshire County in the development and management of affordable and elderly housing financed through a combination of state and federal programs and private funding. BHDC also assists in developing projects aimed at promoting economic development. In addition, BDHC administers the education portion of its "Good Samaritan Homeownership Program" for first time homebuyers.

**Berkshire Fund, Inc.**, is an affiliate of BHDC and is a private, not-for-profit corporation organized to provide housing for persons of low and moderate-income on an open occupancy basis. Berkshire Fund, Inc., is the issuer of the Good Samaritan Homeownership Program Bonds (the Bonds). The proceeds from the issuance of the Bonds go into a pool of funds for the Good Samaritan Homeownership Program's soft second program.

Hoosac Bank provides general financial support for this program by way of bond acquisitions.

In November 2002, Hoosac Bank agreed to an Extension of Maturity on previously purchased BHDC Mortgage and Collateral Trust Bonds, one for a face amount of \$2,700, one for a face amount of \$5,400, and one for a face amount of \$12,150. The maturity on these three bonds was extended to January 31, 2008.

In addition, Hoosac Bank maintains, in its portfolio, four Berkshire Fund Inc., Good Samaritan Homeownership Program Bonds totaling \$68,500.

### North Adams Public Library

On June 23, 2003, NAHSB, Inc., a wholly owned subsidiary of Hoosac Bank, entered into a lease agreement with the City of North Adams for the temporary housing of the City's public library. The City needed the space while the current library underwent a substantial renovation. Hoosac Bank leased the city 4,000 square feet of space in a building located at 26 Union Street in North Adams located in a moderate-income census tract (per **2000** census data). The lease was for one year ending June 30, 2004, for a discounted rate of \$5 per square foot or \$20,000 per year. The estimated market value of a similar lease would be for \$10 per square foot or \$ 40,000 annually, thus providing a market rate concession of **\$20,000** to the City.

## **Charitable Contributions**

Hoosac Bank has provided contributions to organizations that provide education and training, neighborhood revitalization, youth programs, and health and human services for individuals in need, and support business growth and development. For calendar year 2002, Hoosac Bank provided \$201,853 in corporate contributions, \$159,967 or 79.3 percent of which was in support of programs that promote community development, as defined under the CRA regulation. Through October 31, 2003, the bank provided \$90,357 in contributions, \$29,847 or 33.0 percent were qualified under the regulation.

The following includes but is not limited to some of the organizations that Hoosac Bank contributed to that were considered qualified donations.

Organizations that provide social services, aid in emergencies, and assist families in need such as Northern Berkshire United Way, the Association for Community Living, Ecu-Health Care, Inc., Excel Northern Berkshire Health Systems, and Northern Berkshire Habitat for Humanity.

Organizations that provide school, youth, and educational programs such as: the Northern Berkshire YMCA and Big Brothers/Big Sisters.

Organizations that promote and support business growth and development such as the Northern Berkshire Chamber of Commerce, the Williamstown Chamber of Commerce, North Adams Mayor's Office of Tourism, MassMOCA, and Massachusetts College of Liberal Arts Foundation, Inc.

Organizations that provide counseling such as the Credit Counseling Service of Massachusetts and organizations that provide for the elderly such as Elder Services of Berkshire County and HOME.

## **CONCLUSION – INVESTMENT TEST**

Hoosac Bank's performance under the Investment Test is considered to be reasonable. The bank's continued investment in the BHDC and Berkshire Fund bonds as well as its qualified charitable contributions reflect an adequate level of responsiveness to the credit and community development needs of its assessment area. Therefore, as a result of such performance, a rating of "Satisfactory" is assigned.

## **SERVICE TEST**

Hoosac Bank's performance under the service test is considered to be reasonable. Consequently, a rating of "Satisfactory" is assigned.

The service test evaluates an institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The following describes Hoosac Bank's services.

The bank's systems for delivering retail-banking services are readily available to geographies and individuals of all income levels throughout its assessment area. Hoosac Bank's trustees, officers and staff address community development needs through their involvement in community organizations.

### **RETAIL BANKING SERVICES**

#### **Distribution of Branches**

As previously indicated in the Performance Context portion of this Public Evaluation, Hoosac Bank has two locations, its main office located in North Adams and a branch office in Williamstown. As of the **2000** census, the bank's main office falls within a moderate-income census tract (formerly a low-income tract per **1990** data). As of the **2000** census, the Williamstown branch office falls within an upper-income census tract (formerly a middle-income tract per **1990** data).

Office hours include extended evening hours on Thursday, and on Saturday mornings. In addition, the bank has a drive-up located near its main office in North Adams and a drive-up at its Williamstown branch. Both drive-up facilities offer hours from 7:00 AM to 7:00 PM weekdays and until noon on Saturdays. Also, the main office, branch office, and the North Adams drive-up facility have deposit taking Automatic Teller Machines (ATM). Hoosac Bank continues to be a member of the SUM network of financial institutions, which do not levy surcharges to foreign ATM customers.

Hoosac Bank offers both a checking account and savings account which comply with MCBC Basic Banking for Massachusetts program guidelines. The NOW checking account requires a \$10.00 minimum to earn interest, a minimum balance of \$300.00 to avoid a \$3.00 per month fee, and free ATM usage.

The passbook savings account offers a no minimum balance requirement, however a balance of \$10.00 is needed to earn interest, and a \$3.00 fee is charged if the account is closed within six months.

Hoosac Bank also offers a "Direct Link" checking account for its Direct Deposit customers. This account has a \$25.00 minimum balance requirement, no monthly fees or charges, free ATM usage, and the first 200 checks are free.

For its business customers, the bank offers a checking account within no minimum balance requirement and a \$7.50 monthly maintenance fee. In addition, night depository is available at the bank's main office location.

**Distribution of Branches (continued)**

Hoosac Bank offers its customers a free bank-by-mail program, in which postage is paid by the bank, thus allowing the customer to complete transactions by mail. The bank also is a participant in the voluntary check-cashing program and in the public assistance check Direct Deposit program.

**Record of Opening and Closing Branches**

Hoosac Bank has not closed a branch since the previous examination, and continues to maintain a formal Branch Closing Policy that outlines appropriate procedures to be followed should the decision be made to close an office.

**Alternative Retail Banking Services**

Hoosac Bank continues to be involved in Massachusetts's "Savings Makes Cents" program at elementary schools in Clarksburg, Florida, and North Adams. The goal of this program is to teach children the basics of how to manage money.

**Web Site**

Hoosac Bank now offers Internet banking through its own online service at [www.hoosacbank.com](http://www.hoosacbank.com). Using this web-site, customers can check account balances, view cleared checks, transfer funds, and pay monthly bills.

## **COMMUNITY DEVELOPMENT SERVICES**

The CRA regulation defines a community development service as a service that has as its primary purpose in community development and the provision of financial services. Hoosac Bank's trustees, officers, and employees are involved with community organizations that address economic and affordable housing development. Through these involvement's, the bank affiliates lend their technical expertise, experience, and judgment to these organizations.

### **Northern Berkshire Health Systems/North Adams Regional Hospital**

One of the largest employers in Northern Berkshire County, North Adams Hospital provides health care services to more than 70 percent of Northern Berkshire County, with as many as 3,500 uninsured adults relying on the hospital's Emergency Department. North Adams Hospital is part of Northern Berkshire Health Systems. Several Hoosac Bank trustees serve as either a Corporator or on the Board of Directors of this organization. In addition, Hoosac Bank's President and Chief Executive Officer serves as Chairman of the Board of Directors of this organization.

### **North Adams Public Library**

In 2001, a survey was conducted indicating 56 percent of the City of North Adams population uses the library in a given year. Furthermore, the survey indicated that circulation has increased by 27 percent with 64,650 visits to the library and 4,005 computer users gaining access at the facility. A Hoosac Bank trustee serves as Chairperson of the Library's Board of Trustees and is a member of the Library Building Committee.

### **Massachusetts College of Liberal Arts Foundation, Inc.**

The college is also a substantial employer in the Northern Berkshire County region. The students that attend the college contribute significantly to the service industries (i.e. Restaurants, retailers, etc.) throughout the region. Two of Hoosac Bank's trustees and its President and Chief Executive Officer serve on the Board of Directors of the college. In addition, a bank trustee serves as a Corporator of this organization.

### **Northern Berkshire United Way**

Hoosac Bank's Executive Vice President serves on the Board of Directors and the bank's Facilities Administrator and former Treasurer serves on the board and as Treasurer of this service organization.

### **Northern Berkshire Community Coalition**

Founded as a result of the former General Electric plant closing, this group assisted unemployed individuals during their difficult financial situations. This continues today to assist low and moderate-income individuals and families through their financial difficulties. Hoosac Bank's Executive Vice President is President of the Board of Directors of this organization.

## **CONCLUSION – SERVICE TEST**

As indicated, Hoosac Bank has an acceptable level of systems for delivering retail-banking services making them accessible to geographies and individuals of different income levels in its assessment area. In addition, Hoosac Bank's trustees, officers, and employees have provided a reasonable level of service activities primarily for community development purposes and related to the provision of financial services. Therefore, the bank's service activities are rated "Satisfactory."

### **Hoosac Bank's Performance within the Pittsfield and non-Metropolitan Statistical Area's (non-MSA).**

Hoosac Bank's assessment area involves the aforementioned MSA's. The Pittsfield MSA contains 10 cities and towns. Hoosac Bank's assessment area has 1 community in the MSA. The bank's penetration of the Pittsfield MSA constitutes 10.0 percent. The non-MSA contains 69 communities, 7 of which, or 10.2 percent, fall within the bank's assessment area.

Given the modest penetration of Hoosac Bank's assessment area in the MSA's described above, a separate analysis of the bank's lending, investment, and service test performance within these respective MSA's was not performed as such analysis would not be considered meaningful.



## **APPENDIX A**

### **SCOPE OF EXAMINATION**

As of the close of business, November 17, 2003, a review of compliance with applicable consumer and fair lending rules and regulations and a CRA examination was conducted at Hoosac Bank's main office in North Adams, Massachusetts. The bank's lending products reviewed at this examination include residential mortgage loan originations and purchases. These products were analyzed under the seven major performance criteria: Lending Activity, Geographic Distribution, Borrower Characteristics, Community Development Lending, Innovative or Flexible Lending, Loss of Affordable Housing, and Fair Lending Practices.

In addition, Hoosac Bank's performance under the Investment and Service Tests were reviewed.

**THE COMMONWEALTH OF MASSACHUSETTS**

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

**HOOSAC BANK**

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **NOVEMBER 17, 2003**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Trustees

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.